DOCUMENT RESUME

ED 361 023 JC 930 401

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TITLE	Taylor Business Institute. Report 93-T-1.
INSTITUTION	New York State Office of the Comptroller, Albany.
PUB DATE	9 Sep 93
NOTE	9p.
PUB TYPE	Reports - Research/Technical (143) -- Legal/Legislative/Regulatory Materials (090)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Compliance (Legal); Educational Finance; *Eligibility; Financial Audits; Program Administration; *Proprietary Schools; Recordkeeping; *Student Financial Aid; Two Year Colleges
IDENTIFIERS	*New York; *Taylor Business Institute NY

ABSTRACT

Taylor Business Institute is a proprietary, degree-granting school located in New York City, offering various programs leading to two-year degrees and diplomas. An audit was conducted by the New York State Comptroller's Office of the records and procedures used by Taylor in certifying students' awards for the Tuition Assistance Program (TAP) and the Supplemental Tuition Assistance Program (STAP) for the 1989-90 and 1990-91 academic years. In addition, a limited review was conducted of the Higher Education Services Corporation's (HESC's) records for 1988-89 and 1991-92 to detect errors or inconsistencies in Taylor's certifications of student eligibility for TAP and STAP. It was determined that Taylor was overpaid $122,657 because school officials incorrectly certified student eligibility. From a statistical sample of 150 TAP and STAP awards, 17 awards, totaling $10,234, were disallowed. Reasons for disallowances included students not being in good academic standing, students not attending full time, TAP exceeding tuition liability, and TAP not being posted to students' accounts. In each instance, Taylor officials agreed with the disallowances. A projection to the entire Taylor population resulted in a disallowance of $119,787, to which was added another $2,870 from four disallowed awards not in the sample year and applicable interest to arrive at the total which Taylor must refund to the state. The comptroller's office recommended that HESC recover the money, that Taylor report the correct tuition liability for each term, and Taylor's refund procedures be reviewed. (AC)

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DIVISION OF MANAGEMENT AUDIT
AND FINANCIAL REPORTING

ED 361 023

September 9, 1993

The Honorable Thomas Sobol
Commissioner of Education
State Education Department
Education Building
Albany, NY 12234

The Honorable Cornelius J. Foley
President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: Taylor Business Institute
Report 93-T-1

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Re: Taylor Business Institute
Report 93-T-1

Dear Commissioner Sobol and President Foley:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 of the State Finance Law and a Memorandum of Agreement dated December 1, 1989 involving the State Comptroller, the Commissioner of Education, the President of the Higher Education Services Corporation (HESC), and the Director of the Budget, we audited the records and procedures Taylor Business Institute (Taylor) used in certifying students' awards for the Tuition Assistance Program (TAP) and the Supplemental Tuition Assistance Program (STAP) for the 1989-90 and 1990-91 academic years. In addition, we performed a limited review of HESC's records for the 1988-89 and 1991-92 academic years to detect certain errors or inconsistencies in Taylor's certifications of student eligibility for TAP and STAP.

Summary Conclusions

In accordance with Section 665(3)(b) of the Education Law, we have determined that Taylor was overpaid $122,657 because school officials incorrectly certified students as eligible for TAP and STAP awards. From our statistical sample of 150 TAP and STAP awards, we disallowed 17 awards totaling $10,234. A projection of our audit disallowance to the entire population results in a disallowance of $119,787 for the 1989-90 and 1990-91 academic years. We also disallowed four awards totaling $2,870, from other than the sample years. As a result, Taylor was overpaid a total of $122,657 for TAP and STAP. Taylor must refund the $122,657 overpayment plus applicable interest to the State. We recommend that HESC recover this amount from Taylor.

Background

Taylor is a proprietary degree granting school located in New York City and is one of a network of schools owned by Phillips Colleges, Inc., of Gulfport, Mississippi. It offers various programs leading to two-year degrees and diplomas. All of Taylor's programs qualify eligible students for a variety of financial aid opportunities.

TAP is the largest of the various student grant and scholarship programs administered by HESC. TAP is an entitlement program designed to provide tuition aid to eligible students who are enrolled full-time in various approved programs at different types of institutions. STAP is a program designed to provide up to an additional year of State support for undergraduate students who are educationally disadvantaged.

Draft copies of this report were provided to Taylor, SED and HESC officials for their review and comments. Taylor, SED and HESC officials agree with our determinations.

Audit Scope

The objective of our financial and compliance audit was to determine whether Taylor's management complied with appropriate laws and regulations for certifying students as eligible for TAP and STAP awards. Our audit did not include a review of HESC's records and procedures for determining the amount of the awards.

According to HESC's records, Taylor certified 3,059 TAP and STAP awards totaling $3,094,173 on behalf of 1,418 students in the 1989-90 and 1990-91 academic years. We selected and audited a statistical sample of 150 awards totaling $149,575 paid on behalf of 142 students that Taylor officials certified as eligible for TAP or STAP in the 1989-90 and 1990-91 academic years.

In addition, we audited nine awards for six students which we identified from a limited review of HESC records for the 1988-89 and 1991-92 academic years that indicated certain errors or inconsistencies in Taylor's certifications of student eligibility. We also reviewed other awards that came to our attention during the audit.

We conducted our audit in accordance with generally accepted government standards. Such standards require that we plan and perform our audit to adequately assess those operations of Taylor which are included within our audit scope. Further, these standards require that we review and report on Taylor's internal control structure and its compliance with those laws, rules and regulations that are relevant to Taylor's operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and performing our audit, we considered Taylor's internal control structure when determining our auditing procedures. Our consideration was limited to a survey of the internal control structure to obtain an understanding of the control environment and the flow

of transactions through the accounting system and other systems supporting the certifications for student financial aid. Because we did not intend to rely on the internal control structure, our assessment did not extend beyond the survey phase. Instead, we appropriately extended our substantive audit tests.

Taylor management is responsible for complying with laws and regulations. In connection with our audit, we performed tests of compliance with certain provisions of laws, rules, and regulations. However, our objective in performing these tests was to obtain reasonable assurance that the funds Taylor received from HESC were allowable. Our objective was not to provide an opinion on Taylor's overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Taylor complied in all material respects with the provisions referred to in the preceding paragraph, except as noted in the following sections of this report.

The following table summarizes the types of disallowances resulting from our audit.

Audit Disallowances

Reasons for Disallowances	Number of Awards	Amount	
1989-91 Sample Disallowances			
Students Not In Good Academic Standing	6	$ 4,931	
Students Not Full-Time	2	1,833	
TAP Exceeds Tuition Liability	8	3,894	
TAP Not Posted to Students' Accounts	3	643	
Total Sample Disallowances	19	$11,301	
Less Duplicate Disallowances	2	1,067	
Net Disallowances For Sample Years	17	$10,234	
Projected Disallowance			$119,787
Disallowances for Years Other Than 1989-91			
Students Not Full-Time	2	$ 1,998	
TAP Exceeds Tuition Liability	2	252	
Student Not Meeting Residency Requirement	1	667	
Total Disallowances	5	$ 2,917	
Less Duplicate Disallowances	1	47	
Net Disallowances for Other Years	4		2,870
Total Disallowance			$122,657

Details of our statistical projection, student names, social security numbers, terms and dollar amounts were provided to Taylor officials separately. The individual types of disallowances are discussed in the following paragraphs.

Students Not In Good Academic Standing

Criteria - Section 665 of the Education Law (Law) requires that students must be in good academic standing to be eligible to receive TAP awards. Section 145-2.2 of the Commissioner of Education's Rules and Regulations (Regulations) states that to maintain good academic standing a student must make satisfactory academic progress towards completion of a program and pursue the program of study in which he or she is enrolled.

To meet the criteria of satisfactory academic progress, a student must have accrued at least a certain number of credits with at least a certain cumulative grade point average (GPA), per term, as outlined in Taylor's SED approved "Standard of Satisfactory Academic Progress For Purpose of Determining Eligibility For State Student Aid" (Chart) chart. A student who has lost good academic standing may regain such standing either by using the one-time waiver, making up the deficiency at his own expense, or remaining out of school for one year.

Audit Determination - We found that Taylor officials certified six sample awards totaling $4,931 for students who did not maintain satisfactory academic progress. These students did not earn the minimum number of credits or did not attain the minimum GPA required by Taylor's Chart, to be certified for these awards.

School Officials' Position - Taylor officials agree with our disallowances for these students.

Students Not Full-Time

Criteria - Section 661 of the Law states that a student must be in full-time attendance, as defined by the Commissioner of Education, to be eligible for financial aid awards. Section 145-2.1 of the Regulations states that full-time study is defined as enrollment for at least 12 credit hours for a term or semester. For TAP eligibility, a student enrolled in a full-time program that includes non-credit remedial courses must be enrolled in at least six credit hours a semester, except that in his first semester of study, a student need carry only three credit hours.

Audit Determination - We found that Taylor officials certified two sample awards totaling $1,833 and two awards outside the sample years totaling $1,998 for students who were not in full-time attendance. These students were enrolled in less than the minimum hours required or were not taking sufficient credit bearing courses to maintain full-time attendance.

School Officials' Position - Taylor officials agree with our disallowances.

TAP Exceeded Tuition Liability

Criteria - Section 667 of the Law states that a TAP award cannot exceed the tuition liability. Taylor's tuition policy states there is no charge for the first repeated failed course of the student's program. In addition, the tuition charges for developmental studies were fixed at a maximum of $950 or $1,500 during our audit period. Also, according to the enrollment agreement, if a student registers for less than a full course load of 16 credits, the student's tuition liability is calculated as the number of credits taken multiplied by the tuition charge of $130 per credit.

Audit Determination - We found that Taylor incorrectly certified eight sample awards totaling $3,894 and two awards outside the sample years totaling $252 in excess of the students' tuition liability. Taylor officials incorrectly stated the tuition liability in certifying these ten students for their awards for the following reasons:

- Students withdrew from one or more courses within the refund period;
- Students did not carry a full 16 credit course load which resulted in a lower tuition liability;
- Students were mistakenly charged for the first repeated course of their program in which a failing grade was received; and
- Students were charged tuition for developmental courses calculated at the regular charge of $130 per hour for the full course-load which exceeded the fixed charges of $950 or $1,500 for developmental courses.

School Officials' Position - Taylor officials agree with our disallowances.

TAP Not Posted to Students' Accounts

Criteria - Section 2205.3(e) of HESC's regulations requires that each student's account be credited within seven days after receipt of an award.

Audit Determination - Taylor received three TAP awards from our sample term of which two were not credited to the students' accounts, and one award was not credited for the full amount. Since Taylor officials did not properly distribute the funds so that the students could benefit from the awards, we disallow $643, the amount not credited to the students' accounts.

School Officials' Position - Taylor officials agree with our disallowances.

Student Not Meeting Residency Requirement

Criteria - Section 661 of the Law states "...an applicant for an award at the undergraduate level of study must...have been a legal resident of the state for at least one year immediately preceding the beginning of the semester, quarter or term of attendance for which application for assistance is made...."

Audit Determination - We identified one award of $667 for a term outside the sample years for a student who was not a legal resident of New York State for at least one year prior to the term for which tuition assistance was paid.

School Officials' Position - Taylor officials agree with our disallowance.

Other Matters

We identified other issues that, although no disallowance resulted, should be addressed by Taylor management.

Refunds Due

From our review of 142 student files, we found 17 students who were due refunds. The main reason for these refunds was because Taylor officials used the incorrect tuition charges when calculating the students refunds or calculated refunds based on an incorrect refund period. As previously stated in the "TAP Exceeded Tuition Liability" section of this report, Taylor's tuition policy can result in different charges for different students based on the number of credits or types of courses a student is enrolled in or if the student is repeating a failed course.

Taylor officials acknowledged that some of the students were due refunds. Accordingly, after our field work was completed, Taylor processed the refunds. In addition, Taylor stated that each student's accurate tuition liability will be reported to HESC.

Recommendations to the Higher Education Services Corporation

1. *Recover $122,657 plus applicable interest from Taylor Business Institute for its incorrect TAP and STAP certifications less any awards decertified and refunded to HESC.*

2. *Ensure that Taylor Business Institute reports the correct tuition liability each term for its students so awards are properly calculated.*

3. *Review Taylor Business Institute's refund procedures to insure that refunds are based on correct tuition liability and that refunds are processed promptly.*

This report was prepared under the direction of David R. Hancox, Director of State Audits, and Kenneth I. Shulman, Audit Supervisor. Major contributors were Legendre Ambrose, Auditor-in-Charge, Kitty Cheung and Brigid Benson, Staff Auditors.

We wish to express our appreciation to the management and staff of Taylor Business Institute for the courtesies and cooperation extended to our auditors during this examination.

Very truly yours,

R. H. Attmore

Robert H. Attmore
Deputy Comptroller

cc: David Schuchman
Patrick Bulgaro